

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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June 18, 2001

Ms. Denise Fallaw, Administrator
Post Office Box 668
Edgefield, South Carolina 29824-0668

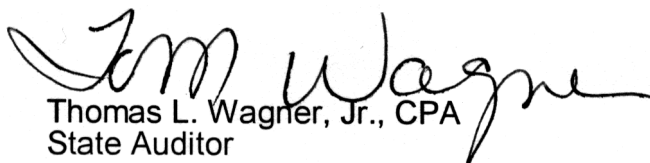
Re: AC# 3-EHC-J7 – Edgefield Associates, L.P. d/b/a Edgefield Health Care Center

Dear Ms. Fallaw:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**EDGEFIELD ASSOCIATES, L.P.
D/B/A EDGEFIELD HEALTH CARE CENTER**

EDGEFIELD, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-EHC-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 24, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Edgefield Associates, L.P. d/b/a Edgefield Health Care Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

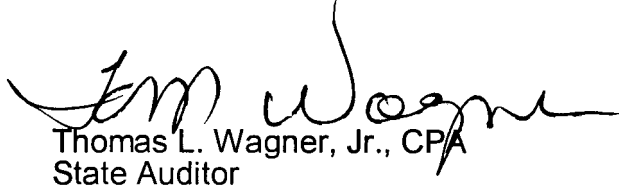
The procedures and the associated findings are as follows:

- 1 We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Edgefield Associates, L.P. d/b/a Edgefield Health Care Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
- 2 We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Edgefield Associates, L.P. d/b/a Edgefield Health Care Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 24, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-EHC-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$77.67	\$78.42
Adjusted reimbursement rate	<u>77.61</u>	<u>78.36</u>
Decrease in reimbursement rate	\$ <u>.06</u>	\$ <u>.06</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-EHC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.20	\$43.39	
Dietary		9.76	9.93	
Laundry/Housekeeping/Maint.		<u>6.99</u>	<u>8.11</u>	
Subtotal	\$ <u>4.30</u>	49.95	61.43	\$49.95
Administration & Med. Rec.	\$ <u>-</u>	<u>11.75</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		61.70	<u>\$72.33</u>	60.85
<u>Costs Not Subject to Standards:</u>				
Utilities		1.89		1.89
Special Services		-		-
Medical Supplies & Oxygen		2.56		2.56
Taxes and Insurance		1.67		1.67
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$67.82</u>		66.97
Inflation Factor (3.60%)				2.41
Cost of Capital				6.23
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.55)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$77.61</u>

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER

Computation of Adjusted Reimbursement Rate

For the Contract Periods December 1, 1998 Through September 30, 1999

AC# 3-EHC-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.20	\$43.39	
Dietary		9.76	9.93	
Laundry/Housekeeping/Maint.		<u>6.99</u>	<u>8.11</u>	
Subtotal	<u>\$4.30</u>	49.95	61.43	\$49.95
Administration & Med. Rec.	<u>\$ -</u>	<u>11.75</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		61.70	<u>\$72.33</u>	60.85
<u>Costs Not Subject to Standards:</u>				
Utilities		1.89		1.89
Special Services		-		-
Medical Supplies & Oxygen		2.56		2.56
Taxes and Insurance		1.67		1.67
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$67.82</u>		66.97
Inflation Factor (3.60%)				2.41
Cost of Capital				6.23
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				4.30
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.55)
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$78.36</u>

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-EHC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,035,161	\$ -	\$ -	\$1,035,161
Dietary	304,295	-	-	304,295
Laundry	40,438	-	-	40,438
Housekeeping	116,128	-	-	116,128
Maintenance	61,211	-	-	61,211
Administration & Medical Records	366,388	-	-	366,388
Utilities	58,978	-	-	58,978
Special Services	-	-	-	-
Medical Supplies & Oxygen	79,681	-	-	79,681
Taxes & Insurance	52,213	-	-	52,213
Legal Fees	-	-	-	-
Cost of Capital	<u>196,232</u>	<u>339</u> (1)	<u>2,229</u> (2)	<u>194,342</u>
Subtotal	2,310,725	339	2,229	2,308,835

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-EHC-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	28,316	-	-	28,316
Non-Allowable	<u>62,384</u>	<u>2,229</u> (2)	<u>-</u>	<u>64,613</u>
Total Operating Expenses	<u>\$2,401,425</u>	<u>\$2,568</u>	<u>\$2,229</u>	<u>\$2,401,764</u>
Total Patient Days	<u>31,175</u>	<u>-</u>	<u>-</u>	<u>31,175</u>

TOTAL BEDS 88

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER

Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-EHC-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Fixed Assets	\$56,572	
	Cost of Capital	339	
	Accumulated Depreciation		\$51,769
	Other Equity		5,142
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	2,229	
	Cost of Capital		2,229
	To adjust capital return		
	State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$59,140</u>	<u>\$59,140</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-EHC-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	274,651
Accumulated Depreciation at 9/30/97	<u>(934,750)</u>
Deemed Depreciated Value	2,337,973
Market Rate of Return	<u>.067</u>
Total Annual Return	156,644
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	156,644
Depreciation Expense	57,954
Amortization Expense	3,071
Capital Related Income Offsets	(23,327)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	194,342
Total Patient Days (Actual Days)	<u>31,175</u>
Cost of Capital Per Diem	<u><u>\$ 6.23</u></u>

EDGEFIELD ASSOCIATES, L.P. D/B/A EDGEFIELD HEALTH CARE CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-EHC-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 6.37
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$10.36</u>
Reimbursable Cost of Capital Per Diem	\$ 6.23
Cost of Capital Per Diem	<u>6.23</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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